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UNCLAS SECTION 01 OF 02 BRASILIA 002835

SIPDIS

STATE FOR WHA/BSC, EB/TPP/MTA/IPC SWILSON, AND CA/VO
STATE PASS TO USTR FOR SCRININ, LYANG AND BPECK
USDOC FOR
4322/ITA/MAC/WH/OLAC/WBASTIAN/JANDERSEN/DMCDO UGALL/DRISCOLL
USDOC FOR 3134/USFCS/OIO/EOLSON/DDEVITO
TREASURY FOR OASIA/SEGAL
NCS FOR DEMPSEY

E.O. 12958: N/A

TAGS: [KIPR](#) [KCRM](#) [PGOV](#) [ECON](#) [BR](#) [IPR](#)

SUBJECT: "O ESTADO DE SAO PAULO" ARTICLE ON POLICE ACTION
AGAINST TRAFFICKER IN PIRATED GOODS

REF: A) SAO PAULO 1611, B) BRASILIA 1384

11. The article set forth in paragraph 2 (below) describing Federal Police action against the notorious pirated goods trafficker Law Kin Chong, appeared in the Saturday, November 6 "O Estado de Sao Paulo". Post thought it might be of interest to those in Washington who follow the IPR developments in Brazil.

12. (Begin Unofficial Embassy Translation)

Headline: Federal Police Seize R\$30 Million in Contraband

More than R\$30 million in merchandise suspected of being contraband, a factory of pirated watches, and emeralds valued at between 1.5 and 6 million Reais were seized yesterday by the Federal Police (FP) in Sao Paulo. It was the largest operation against interests allegedly belonging to businessman Law Kin Chong since he went to jail in June accused of bribing Deputy Luiz Antonio Medeiros (PL-SP), who headed the Piracy CPI. Six people were caught red handed, among them two of Law's nieces.

The 200 federal agents who participated in Operation "Capela" served 18 warrants of search and seizure at 9 addresses. They had an ambitious objective: end the network of contraband and sale of pirated products maintained by Law in Sao Paulo. It was 08h00 when the teams arrived at the five warehouses, three offices and ten stores located around Rua 25 de Marco and Bras.

At Rua Bucolismo the agents had to wait until 10h00 to enter. The location had more than 30 leased boxes of which 10 were opened by the investigators. There was so much material found that the feds had to set up an on-site registry to catalog everything. There were ceramics, electronics and toys.

"The investigation revealed that these locations were controlled by or are the property of Law Kin Chong", affirmed Delegado Jose Ivan Guimaraes Lobato, regional superintendent of the Federal Police in Sao Paulo. "We don't know if he was operating out of prison in Brasilia, but this operation proves that he continues with his criminal activity."

The emeralds were found in Law's office on Rua 25 de Marco. The FP is investigating the possibility that they served to finance the contraband dealings he is accused of, that's why they decided to seize them. "Their origin is being determined", he said.

On 25 de Marco, the police found expired cosmetics and health products being sold. Because of this, they decided to charge the detainees under the Heinous Crimes law. According to Det. Lobato, the prisoners will also be charged with contraband, forming a gang, fraud, and tax evasion. Intercepted phone records and correspondence showed the link between Law and his family with the people who, according to the FP, acted as front men in the control of the import and export companies and warehouses.

The federal agents even brought a specialist in safe cracking so they could get what was kept in Law's office on the 7th floor of Shopping 25 de Marco. With a hammer and crowbar, the agent took about 15 minutes to do his work. The result was seizure of check books, commercial contracts and documents from Law's companies.

The operation received the name "Capela" after the quartz blocks sold by a company investigated by the FP, controlled by Law's wife.

The FP's objective was to "desperately" create a story to maintain Law Kin Chong in prison. That's how Law's attorney characterized Operation "Capela".

He denied any relationship between Law and the warehouses of merchandise, allegedly contraband, examined by the police. He also said his client is not connected to the factory of pirated watches discovered by FP.

"FP knows that the Supreme Court will rule shortly on habeas-corpus in favor of Law, that's why they're trying to make up a story", he affirmed. According to him, the emeralds seized by the feds are legal jewels declared by Law. They are guarantee of payment in a suit brought by INSS (National Social Security) against one of Law's companies. "The judge accepted them as guarantee of payment of the debt and left them in the care of another attorney of Law's, while the case is being heard", he stated.

According to him, the lot is not worth R\$6 million as divulged by FP, but R\$1.5 million. Pacheco also affirmed that Law has had no contact with his brother Julio Law for over ten years, nor therefore, with his nieces who FP arrested at the Rua 25 de Marco office. "So far, the police have failed to show any evidence that Law is, in fact, the biggest trafficker of pirated goods in the country."

End unofficial Embassy translation.

CHICOLA